

COUNTY CASE MANAGEMENT SERVICES

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2005 AND 2004

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**COUNTY CASE MANAGEMENT SERVICES
OFFICIALS
AS OF JUNE 30, 2005**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Sally Stutsman	Chairperson	Johnson County
Harlan Hansen	1 st Vice Chairperson	Humboldt County
Cy McDonald	2 nd Vice Chairperson	Madison County
Mike King	Member	Union County
Tim Hoschek	Member	Des Moines County
Betty Moat	Member	Pottawattamie County
Steve Reuter	Member	Bremer County
Elaine Armstrong	Member	Page County
Jack Willey	Member	Jackson County
Mary Jo Wilhelm	Member	Howard County
Jeff Simonsen	Member	Cherokee County



David W. Hurst, CPA
Kathleen A. Koenig, CPA
Robert R. McGowen, CPA
Michael W. McNichols, CPA
Thomas J. Pflanz, CPA
John A. Schmidt, CPA
Daniel A. Schwarz, CPA
S. James Smith, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
County Case Management Services

We have audited the accompanying statements of financial position of County Case Management Services as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Case Management Services as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated August 19, 2005, on our consideration of County Case Management Services' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
August 19, 2005

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and the American Institute of Certified Public Accountants

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COUNTY CASE MANAGEMENT SERVICES **MANAGEMENT'S DISCUSSION AND ANALYSIS**

County Case Management Services provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Organization's operating revenues increased 6%, or \$24,362, from fiscal 2004 to fiscal 2005. Member dues and services, registration fees and interest income all increased during the fiscal year 2005.
- The Organization's operating expenses were 14%, or \$57,818, more in fiscal 2005 than in fiscal 2004. Operating expenses increased as a result of additional payroll and office expenses.
- The Organization's net assets decreased less than 1%, or \$467, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

The County Case Management Services is a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to County Case Management Services' financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Organization's financial activities.

The Statements of Financial Position present information on the Organization's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statements of Activities present information on the Organization's operating revenues and expenses, non-operating revenues and expenses and whether the Organization's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Organization's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Organization financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

COUNTY CASE MANAGEMENT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION

Statements of Financial Position

Net assets may serve over time as a useful indicator of the Organization's financial position. The Organization's net assets for fiscal 2005 totaled approximately \$579,800. This compares to approximately \$580,300 for fiscal 2004. A summary of the Organization's net assets is presented below.

	June 30,	
	2005	2004
Cash	\$ 63,342	\$ 60,615
Accounts receivable	66,850	69,108
Certificates of deposit	454,155	448,763
Property and equipment at cost, less accumulated depreciation	34,091	32,908
Total assets	618,438	611,394
Liabilities - due to Iowa State Association of Counties	38,633	31,122
Total net assets	\$ 579,805	\$ 580,272

All of the Organization's net assets are unrestricted net assets that can be used to meet the Organization's obligations as they come due.

COUNTY CASE MANAGEMENT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION, continued

Statements of Activities

Operating revenues arise from county membership dues and service revenue, as well as registration fees. Operating expenses are expenses paid to provide technical assistance and training to member counties relating to case management of the chronically mentally ill, mentally retarded and developmentally disabled in Iowa. Non-operating revenue is comprised entirely of interest income. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2005 and 2004 is presented below:

		Changes in Net Assets	
		Year ended June 30,	
		2005	2004
Revenue			
Member dues and services		\$ 404,943	\$ 393,038
Registration fees		44,481	38,685
Interest income		11,077	4,416
Total revenue		460,501	436,139
Expenses			
Salaries and fringe benefits		274,139	243,874
Professional fees		2,800	2,850
Staff travel and training		25,425	22,862
Conference facility expenses		35,906	32,967
Outside speakers' fees		13,467	8,334
Board of Directors' meeting expenses		5,156	4,750
Insurance		11,550	7,906
Office expense		58,866	47,727
Depreciation		19,071	18,906
Office space lease		14,052	12,667
Miscellaneous		536	307
Total expenses		460,968	403,150
Increase (decrease) in unrestricted net assets		(467)	32,989
Unrestricted net assets, beginning of year		580,272	547,283
Unrestricted net assets, end of year		\$ 579,805	\$ 580,272

The Statements of Activities reflect a decrease in net assets at the end of the fiscal year. In fiscal 2005, operating revenues increased by \$24,362 or 6%, primarily the result of increased member dues and services, registration fees and interest income. Operating expenses increased by \$57,818, or 14%, primarily as a result of increased salaries and fringe benefits and office expenses.

COUNTY CASE MANAGEMENT SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION, continued

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating and related financing and investing activities. Cash provided by operating activities includes member dues, service revenues and registration fees, reduced by payments to employees, as well as payments related to meetings and conferences. Cash used by investing activities primarily includes the purchase of a new vehicle, as well as purchases and maturities of certificates of deposit.

CAPITAL ASSETS

At June 30, 2005, the Organization had approximately \$34,000 invested in capital assets, net of accumulated depreciation of approximately \$101,000. Depreciation charges totaled \$19,071 for fiscal 2005. More detailed information about the Organization's capital assets is presented in Note A to the financial statements.

ECONOMIC FACTORS

County Case Management Services held its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Organization officials.

The greatest economic threat to the continuation of this program would be changes in either federal or state regulations regarding the use of funds to pay for the cost of administrative support services. This program exists to more efficiently use resources in providing services to individuals with disabilities. General disruptions in funding or significant programmatic changes could eliminate the need for this program. However, while program changes occur over time, the abandonment of funding or the complete elimination of these types of services is highly unlikely.

The Organization anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Organization's ability to react to unknown issues.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Board of Directors and management with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact County Case Management Services, 501 SW 7th Street, Suite Q, Des Moines, Iowa.

COUNTY CASE MANAGEMENT SERVICES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

ASSETS

	2005	2004
Cash	\$ 63,342	\$ 60,615
Accounts receivable	66,850	69,108
Certificates of deposit	454,155	448,763
Property and equipment		
Office furniture and equipment	106,825	106,825
Vehicles	20,254	-
Leasehold improvements	8,130	8,130
	<u>135,209</u>	<u>114,955</u>
Less accumulated depreciation	<u>(101,118)</u>	<u>(82,047)</u>
Net property and equipment	<u>34,091</u>	<u>32,908</u>
Total assets	<u>\$ 618,438</u>	<u>\$ 611,394</u>

LIABILITIES AND NET ASSETS

Liabilities - due to Iowa State Association of Counties	\$ 38,633	\$ 31,122
Net assets - unrestricted	<u>579,805</u>	<u>580,272</u>
Total liabilities and net assets	<u>\$ 618,438</u>	<u>\$ 611,394</u>

The accompanying notes are an integral part of these financial statements.

COUNTY CASE MANAGEMENT SERVICES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
REVENUE		
Member dues and services	\$ 404,943	\$ 393,038
Registration fees	44,481	38,685
Interest income	11,077	4,416
Total revenues	<u>460,501</u>	<u>436,139</u>
EXPENSES		
Salaries and fringe benefits	274,139	243,874
Professional fees	2,800	2,850
Staff travel and training	25,425	22,862
Conference facility expenses	35,906	32,967
Outside speakers' fees	13,467	8,334
Board of Directors' meeting expenses	5,156	4,750
Insurance	11,550	7,906
Office expense	58,866	47,727
Depreciation	19,071	18,906
Office space lease	14,052	12,667
Miscellaneous	536	307
Total expenses	<u>460,968</u>	<u>403,150</u>
INCREASE (DECREASE) IN		
UNRESTRICTED NET ASSETS	(467)	32,989
UNRESTRICTED NET ASSETS, beginning of year	<u>580,272</u>	<u>547,283</u>
UNRESTRICTED NET ASSETS, end of year	<u><u>\$ 579,805</u></u>	<u><u>\$ 580,272</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY CASE MANAGEMENT SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (467)	\$ 32,989
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operations:		
Depreciation	19,071	18,906
Changes in:		
Accounts receivable	2,258	(13,196)
Accounts payable	-	(115)
Amount due to Iowa State Association of Counties	7,511	3,899
Net cash provided by operating activities	<u>28,373</u>	<u>42,483</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(20,254)	(1,699)
Proceeds from maturity of certificates of deposit	360,832	-
Purchase of certificates of deposit	(366,224)	(90,000)
Net cash used by investing activities	<u>(25,646)</u>	<u>(91,699)</u>
Net increase (decrease) in cash	2,727	(49,216)
CASH, beginning of year	<u>60,615</u>	<u>109,831</u>
CASH, end of year	<u><u>\$ 63,342</u></u>	<u><u>\$ 60,615</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY CASE MANAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - County Case Management Services (CCMS) was established and duly organized under the provisions of Chapter 28E of the Iowa Code. CCMS provides technical assistance and training to member counties relating to case management of the chronically mentally ill, mentally retarded and developmentally disabled in Iowa.

Cash and Cash Equivalents - The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Certificates of Deposit - The Organization holds certificates of deposit with various financial institutions. The certificates of deposit mature through June 2006 and bear interest at rates ranging from 2.5% - 3.7%.

Property and Equipment - Property and equipment are stated at cost. Depreciation is provided by straight-line method over the estimated economic useful lives of the assets, ranging from five to seven years.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk - Accounts receivable arise from billings for services provided to participating counties throughout Iowa. Based on its review of the receivables, management believes no allowance for doubtful accounts is necessary.

The Organization's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

However, at June 30, 2005, CCMS has invested funds totaling approximately \$16,000 in money market accounts not insured by the FDIC or covered by the State Sinking Fund.

Income Tax Status - CCMS was formed as a joint venture between the participating member counties and the Iowa State Association of Counties and is exempt from income taxes. Accordingly, no provision for income taxes has been provided in the financial statements.

NOTE B - DUE TO IOWA STATE ASSOCIATION OF COUNTIES

Certain expenses associated with the case management program are paid by the Iowa State Association of Counties (ISAC) on behalf of CCMS and then reimbursed to ISAC. Types of expenses allocated to CCMS include salaries, payroll taxes, fringe benefits, supplies, rent, utilities and travel expenses. Amounts owed to ISAC are non-interest bearing and are repaid on a monthly basis.

COUNTY CASE MANAGEMENT SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE C - PENSION PLAN

CCMS provides a defined contribution pension plan in which all employees are eligible to participate. The plan is funded through purchase of annuity contracts. Employer contributions are based upon length of employment. Employee contributions are voluntary, but to receive the employer contribution, the employee must contribute an amount equal to the lesser of the determined employer contribution, or \$1,000. Employer contributions were \$4,492 and \$4,417 for 2005 and 2004, respectively.

NOTE D - LEASE

The Organization leases its office space from ISAC on a month-to-month basis. Improvements made to the office space, however, are amortized over seven years. The Organization does not anticipate changing office locations in the near future due to its close relationship with ISAC.

NOTE E - FUNCTIONAL EXPENSES

The costs of providing case management services include salaries and related expenses and other direct expenses such as staff travel and training as well as conference expenses, including outside speaker fees. Management and general expenses include all executive, financial administration, information systems, and building rents and maintenance expenses.

Following is a summary of CCMS's functional expenses for the years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Program expenses	\$ 348,936	\$ 308,037
Fundraising expenses	-	-
General and administration	<u>112,032</u>	<u>95,113</u>
	<u>\$ 460,968</u>	<u>\$ 403,150</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
County Case Management Services

We have audited the financial statements of County Case Management Services as of and for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered County Case Management Services' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County Case Management Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and the Organization's management and is not intended to be and should not be used by anyone other than these specified parties.

McGowen, Hurst, Clark & Smith, P.C.
West Des Moines, Iowa
August 19, 2005

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COUNTY CASE MANAGEMENT SERVICES
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Reportable conditions

No matters were noted.

Other findings related to required statutory reporting

No matters were noted.